

Honeywell A/S


Strandesplanaden 110, 2665, Vallensbæk Strand, Denmark

CVR no. 15130016

Annual report 2021

Approved at the Company's annual general meeting on 29 June 2022

Chairman of the general meeting:

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Patrik Fredriksson

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COMPANY INFORMATION

Entity

Honeywell A/S
Strandesplanaden 110
2665, Vallensbæk Strand

Company CVR: 15130016
Established: 27/09/1954

Financial year: 2021-01-01 - 2021-12-31
Municipality of reg. office: Vallensbaek

Directors

Patrik Fredriksson
Chairman

Jens Christian Jensen
Managing Director

Allan Christensen
Director

Henning Lützen
Director

George Ivanovic Vukojicic
Director

Executive Board

Jens Christian Jensen

Bankers

Danske Bank
Holmes kanal 2
1092 København S

Lawyers

MoltkeLeth
Amaliegade 12
1256 København K

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

MANAGEMENT'S STATEMENT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Honeywell A/S for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.


In our opinion, the company financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial matters and the results of the company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 29/06/2022

Executive Board:

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Jens Christian Jensen

Board of Directors:

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Patrik Fredriksson
Chairman

DocuSigned by:

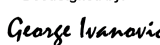
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Jens Christian Jensen
Managing Director

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Allan Christensen
Director

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Henning Lützen
Director

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George Ivanovic Vukojcic
Director

**Independent auditor's report
To the shareholders of Honeywell A/S**

Opinion

We have audited the financial statements of Honeywell A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the company, as well as statement of cash flows. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 1 January - 31 December 2021, and of the results of the company operations as well as the cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

**Independent auditor's report
To the shareholders of Honeywell A/S**

Auditor's responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

**Independent auditor's report
To the shareholders of Honeywell A/S**

Statement on the Management's review (continued)

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29/06/2022

Deloitte Statsautoriseret Revisionspartnerselskab
Godkendt Revisionspartnerselskab
CVR no. 33 96 35 56

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Jan Larsen

State Authorised Public Accountant
MNE number: 16541

COMPANY

Financial highlights

31 december

	2021	2020	2019	2018	2017
	DKK000	DKK000	DKK000	DKK000	DKK000
Key figures					
Revenue	216.583	268.084	297.677	330.867	358.716
Profit/loss from ordinary activities	3.863	6.429	(5.127)	16.936	25.635
Profit/loss from net financials	(1.503)	68	(2.146)	(682)	(1.523)
Profit/loss for the year	1.915	4.998	(5.779)	12.550	17.702
Non-current assets	468	375	376	10.669	292
Total assets	471.061	470.719	471.571	409.508	349.706
Portion relating to investments in items of property, plant and equipment	(28)	1	(1.855)	1.882	0
Equity	266.125	264.209	259.211	264.991	259.215
Financial ratios %					
Gross margin	17,1	15,1	14,9	20,7	26,6
Solvency ratio	56,0	56,0	55,0	64,7	74,1
Profit margin	1,8	2,0	(2,0)	5,1	7,1
Return on equity	0,7	1,9	(2,2)	4,8	7,1
Return on assets	0,8	,5	(1,2)	4,5	7,5

** During 2018, the Company has transferred Homes business, Comparative figures for year 2016 and 2017 are not restated.

COMPANY

Financial highlights (continued)

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and ratios".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Profit margin	$\frac{\text{Operating profit(EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total Equity and liabilities, year-end}}$
Profit/loss for analytical purposes	Profit/loss for the year less non-controlling interests' share hereof
Return on assets	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average assets}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

COMPANY**Management commentary****Business review**

Honeywell A/S's activities are marketing, sales, engineering, design, installation and service within building and industrial automation including supply of components.

The company represents Business Units, which all belong to Home and Building Technologies (HBT) in Norway, Sweden and Finland. The products of the department are mainly used in durable consumer goods of which a very large part is re-exported worldwide. Safety and Productivity Solution (S&PS) with sales activities in Norway, Sweden and Finland. Part of the result has been reached through a continuous development of the sales to system houses and through an extension of the distributor network. The department has focused on the marketing of new products for protection of drinking water, including back flow preventer. The department is Customer Service Centre for the Nordic Countries as well as the Baltic Countries supporting the different countries in their native language from the office in Vallensbæk. Honeywell Building Solutions deliver and service solutions to end users through own technicians and project managers. The market is primarily larger buildings and/or complicated systems containing various solutions, primarily CTS-systems, burglar alarms, fire alarms, access control and video surveillance within building automation, integrated into one system. Health, Safety and Environment (HSE) is a very important part of the activities of Building Automation, and the HSE Playbook lists month by month throughout the year the HSE activities, that are required in order to follow both the demands of the company as well as the local laws. Near miss reporting is also a requirement for all employees.

Financial review

The income statement of the Company for 2021 shows a profit of DKK 1.915 thousand and at 31 December 2021 the balance sheet of the Company shows equity of DKK 266.125 thousand.

The Sales for 2021 was DKK 216.583 thousand compared to DKK 268.084 thousand for 2020. The revenue has declined in 5 out of the last 5 years disclosed in the annual report in 2018, 2019, 2020 and 2021. Decrease in revenue for current year is due to COVID-19 pandemic.

The Operating profit for the company was DKK 37.109 thousand. The result for 2021 represents profit DKK 1.915 compared to profit of DKK 4.998 thousand for 2020. The development is mainly due to a change in the product mix. After the result of the year the solvency ratio is 56% same as 2020. The company has been 100% self-financing for a large number of years.

Outlook

Honeywell A/S is expecting same level of revenue, profit and cashflow as 2021 and is not expecting any growth or specific product.

Risks*Operating risks and financial risks*

Foreign currency risks- Due to activities abroad, profit, cash flows and equity are affected by the development in exchange rates for a number of currencies.

COMPANY**Management commentary (continued)****Knowledge resources**

The company has 52 employees, who work in marketing, sales, engineering, design, installation and service within Building and Industrial Automation including supply of components.

The whole organisation continues the work to improve quality, including a higher degree of standardisation with the company's similar organisations in other countries. All departments are certified according to ISO 9001: 2008. As part of the company's international program Honeywell AIS is continuously investing in training of employees within Six Sigma. This has initiated new quality projects, which we expect will result in a positive return in the years to come. At year end 11 employees of the company has obtained Green belt certification.

The Company's business foundation states that all core products must be accompanied by Danish manuals and requires that customers must be able to obtain technical support, training, etc. according to need. This means high requirements as to knowledge resources among our employees.

To ensure the continuous ability to provide these services it is essential that the Company is able to recruit and retain employees with extensive professional qualifications in electronics and IT

Corporate social responsibility

Social responsibility is a part of Honeywell A/S's business strategy, and the company has always given top priority to the desire to act responsibly towards customers, staff, business connections and the external environment. Honeywell has prepared the statutory statement on social responsibility for the year 2017 in accordance with section 99a of the Danish Financial Statements Act. The statement can be viewed or downloaded at [https://www.honeywell.com/content/dam/honeywellfiles/Corporate Citizenship Report 2020.pdf](https://www.honeywell.com/content/dam/honeywellfiles/Corporate%20Citizenship%20Report%202020.pdf). Honeywell A/S Denmark is engaged in marketing, sales, engineering, design, installation and service within building and industrial automation including supply of components. Honeywell is strongly focused on developing its core business and meeting the strategic challenges in an economical and socially responsible way. For this reason, CSR work has always been a top priority for management, and it forms a natural part of the work of all employees in the company in Denmark. For Honeywell, CSR means taking responsibility for adding the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements.

Data ethics

In the annual report of the Group, Honeywell Inc comments on data ethics policies. For further details, we recommend checking the annual report of the Group, which can be found using the following link: <http://investor.honeywell.com>. In 2022, a data ethics policy will be prepared and approved by the Board of Directors. Honeywell Inc will actively work to ensure that all information is responsibly handled and follows all applicable standards, policies and laws. Of course, this work also implies that the Group strives to conduct its business ethically, acknowledging the increased use and processing of data as an integral part of the Group's business. Before the Board of Directors approves the data ethics policy, it will be discussed and approved by the management team of the Group.

COMPANY**Management commentary (continued)****Goals and policies for the underrepresented gender**

Goals and policies for the underrepresented gender Honeywell A/S believes that diversity among employees, including equal distribution of gender contributes positively to the working environment and strengthens the Company's performance and competitiveness. Honeywell A/S is working to increase the number of female managers in the Company and has on the background from this year, as the first year, set concrete target figures for the proportion of the under-represented gender and policies to ensure this.

Honeywell A/S has a goal to have few of the management positions, must be occupied by women by 2022. 1 woman occupy leadership positions in Honeywell A/S. In order to meet the above objective of several female managers, Honeywell A/S has initiated one series of initiatives that can promote development and support for women leaders. Among other things, an internal network for female managers in the Company has been initiated, as well as led mentoring to promote female talents. In connection with recruitment to management posts, the goal is that there must be both male and female candidates despite the fact that it operates in a world of men. The principle applies to both internal job posting and external.

Recognition and measurement uncertainties

Honeywell's Systems abides with the Company's strong financial and ethical controls and undertakes both Internal Financial and External SOX compliance audits to minimize any revenue recognition issues. Stringent controls remain in place and are reviewed annually, including FCPA training which is established as a mandatory requirement for all Company employees.

Unusual matters

Revenue has decreased by -19% compared to last year, mainly due to less sales to existing customers.

Events after the balance sheet date

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation may have an impact on the European and global economy. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. At the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

STATEMENT OF PROFIT OR LOSS

	Note	2021 DKK000	2020 DKK000
Revenue	2	216.583	268.084
Cost of sales	3	(179.475)	(227.678)
Gross margin		<u>37.108</u>	<u>40.406</u>
Distribution costs	3	(27.475)	(28.816)
Administrative expenses	17, 3	(5.771)	(9.073)
Operating profit		<u>3.862</u>	<u>2.517</u>
Other operating income	4	0	3.912
Profit before net financials		<u>3.862</u>	<u>6.429</u>
Financial income	5	2.219	3.029
Finance expenses	6	(3.722)	(2.961)
Profit before tax		<u>2.359</u>	<u>6.497</u>
Tax	7	(444)	(1.499)
Profit for the year		<u>1.915</u>	<u>4.998</u>

BALANCE SHEET

	Note	2021 DKK000	2020 DKK000
ASSETS			
Non-current assets			
<i>Property, plant and equipment</i>			
Property, plant and equipment under construction	9	0	28
		<u>0</u>	<u>28</u>
<i>Financial assets</i>			
Deposits, investments	10	237	237
Deferred tax assets	8	231	110
		<u>468</u>	<u>347</u>
Total non-current assets		<u>468</u>	<u>375</u>
Current assets			
<i>Inventories</i>			
Finished goods and goods for resale		24.001	3.556
		<u>24.001</u>	<u>3.556</u>
<i>Receivables</i>			
Trade receivables		36.267	39.216
Contract work in progress		274	2.531
Other receivables		939	3.389
Receivables from group enterprises		395.841	376.381
Corporation tax receivable		3.966	14.007
		<u>437.287</u>	<u>435.524</u>
Cash		9.306	31.265
Total current assets		<u>470.594</u>	<u>470.345</u>
TOTAL ASSETS		<u>471.062</u>	<u>470.720</u>

BALANCE SHEET (continued)

	Note	2021 DKK000	2020 DKK000
Equity and liabilities			
Equity			
Share capital	12	4.500	4.500
Retained earnings		261.625	259.709
Total equity		<u>266.125</u>	<u>264.209</u>
Provisions			
Provisions	13	10	53
		<u>10</u>	<u>53</u>
Current liabilities			
Trade payables		4.318	5.315
Payables to group enterprises		176.788	180.055
Other payables		12.697	16.860
Deferred income	14	5.485	1.744
Prepayments received from customers	11	5.639	2.484
Total current liabilities		<u>204.927</u>	<u>206.458</u>
Total liabilities		<u>204.937</u>	<u>206.511</u>
Total equity and liabilities		<u>471.062</u>	<u>470.720</u>

STATEMENT OF CHANGES IN EQUITY

31 december

	Note	Share Capital DKK000	Retained earning DKK000	Total DKK000
Equity at 1 January 2021		4.500	259.710	264.210
Transfer, see "Appropriation of profit/loss"	19	0	1.915	1.915
Equity at 31 December 2021		<u>4.500</u>	<u>261.625</u>	<u>266.125</u>

NOTES TO THE FINANCIAL STATEMENTS

Contents of the notes to the financial statements

- 1 Accounting policies
- 2 Segment information
- 3 Staff costs and incentive plans
- 4 Other operating income
- 5 Financial income
- 6 Financial expenses
- 7 Tax for the year
- 8 Deferred tax assets
- 9 Property, plant and equipment
- 10 Deposits
- 11 Construction contracts
- 12 Share capital
- 13 Other provisions
- 14 Deferred income
- 15 Contractual obligations and contingencies, etc.
- 16 Collateral
- 17 Fees paid to auditors appointed at the annual general meeting
- 18 Related parties
- 19 Appropriation of profit/loss

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies**

The annual report of Honeywell A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

1.1 Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement of Honeywell International Inc.

1.2 Financial statements

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions, existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

1.3 Income statement**(a) Revenue**

The company has chosen IAS 18 as interpretation for revenue recognition.

(i) Revenue from the sale of goods

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(a) Revenue (continued)***(ii) Revenue from construction contracts*

Contract work in progress is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

(b) Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc., as well as operation and administration.

Cost of sales also includes research and development costs that do not qualify for capitalisations well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

(c) Distribution costs

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

(d) Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

(e) Depreciation and impairment losses

Depreciation, and impairment losses comprise depreciation for the year on property, plant and equipment, and impairment losses.

(f) Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and financial expenses comprise interest, realised and unrealised exchange rate adjustments as well as value adjustment of securities.

(g) Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is jointly taxed with the Danish subsidiaries in the Honeywell group. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****1.4 Balance sheet***(a) Property, plant and equipment*

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises of cost of acquisition and expenses directly related to the acquisition up till the time asset is ready for use. In case of assets of own construction, cost comprises of direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	5 years
IT equipment	3 - 5 years
Other fixtures and fittings, plant and equipment	5 - 15 years

Assets costing less than DKK 30.700 are expensed in the year of acquisition.

(b) Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities"

(c) Impairment of assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

(d) Financial assets

Deposits comprises rent deposits, which are recognized and measured at cost price. There are no depreciation on deposits. Current assets

(e) Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(f) Receivables**

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Exchange rate adjustments of long-term loans to group enterprises are taken to equity, as these loans are considered "equity" loans.

(g) Construction contracts

Contract work in progress is measured at the selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Prepayments and payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

(h) Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

(i) Equity*(i) Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

(j) Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****(j) Coporation tax and deferred tax (continued)**

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

(k) Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

(l) Prepayments from customers

Prepayments from customers comprises payments received from customers in advance.

(m) Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

(n) Corporation tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

(o) Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

(p) Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

NOTES TO THE FINANCIAL STATEMENTS

2. Segment information**Activities - Primary segment**

	Note	2021 DKK000	2020 DKK000
Siot & Sensing		55.686	104.889
Honeywell Building Technology		160.897	163.195
		216.583	268.084

Geographical – Secondary segment

	Note	2021 DKK000	2020 DKK000
Denmark		184.805	154.311
Rest of the world		31.778	113.773
		216.583	268.084

3. Staff costs and incentive plans

	2021 DKK000	2020 DKK000
Wages and salaries	40.233	41.494
Pensions	2.049	2.660
Other social security costs	73	142
	42.355	44.296

Staff costs are recognised in the financial statements under the following line items:

Cost of sales	42.355	44.296
Average number of full-time employees	48	63

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

4. Other operating income

	Note	2021 DKK000	2020 DKK000
Spin off adjustments		0	3.912

NOTES TO THE FINANCIAL STATEMENTS

5. Financial income

	2021 DKK000	2020 DKK000
Foreign exchange gains	1.712	2.436
Other financial income	507	593
	<u>2.219</u>	<u>3.029</u>

6. Financial expenses

	2021 DKK000	2020 DKK000
Interest expenses, group enterprises	170	251
Foreign exchange losses	3.552	2.710
	<u>3.722</u>	<u>2.961</u>

7. Tax for the year

	2021 DKK000	2020 DKK000
<i>Tax for the year</i>		
Current tax charge for the year	565	1.524
Adjustment of the deferred tax charge for the year	(121)	(25)
	<u>444</u>	<u>1.499</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Deferred tax assets

	Note	2021 DKK000	2020 DKK000
Deferred tax at 1 January		110	85
Adjustment of the deferred tax charge		121	25
		231	110
 <i>The deferred tax charge relates to:</i>			
Equipment		36	23
Provision for bad debts		85	2
		121	25
 <i>Deferred tax assets are expected to be set off within:</i>			
0 - 1 years		0	0
1 - 5 years		121	25
> 5 years		0	0
		121	25

NOTES TO THE FINANCIAL STATEMENTS

9. Property, plant and equipment**31 december****2021**

	Fixtures and fittings, plant and equipment DKK000	Property, plant and equipment under construction DKK000	Leasehold improvements DKK000	Total
Cost at 1 January 2021	2.964	28	90	3.082
Disposals	0	(28)	0	(28)
Cost at 31 December 2021	2.964	0	90	3.054
Depreciations and impairment losses at 1 January 2021	2.964	0	90	3.054
Depreciation for the year	0	0	0	0
Depreciation and impairment losses at 31 December 2021	2.964	0	90	3.054
Carrying amount at 31 December 2021	0	0	0	0

10. Deposits

	Note	2021 DKK000	2020 DKK000
Carrying amount at 31 December 2021		237	237

11. Construction contracts

	2021 DKK000	2020 DKK000
Selling price of production for the period	552.820	279.992
Payments received on account	(558.185)	(279.945)
	(5.365)	47
recognised as follows:		
Contract work in progress recognised in assets	274	2.531
Prepayments received from customers	(5.639)	(2.484)
	(5.365)	47

NOTES TO THE FINANCIAL STATEMENTS

12. Share capital

	2021 DKK000
<i>The share capital comprises:</i>	
Shares of DKK 7K	210
Shares of DKK 10K	4.290
	<u>4.500</u>

The share capital has remained unchanged for the past five years.

13. Other provisions

	2021 DKK000	2020 DKK000
Warranty reserve	10	53
	<u>10</u>	<u>53</u>

14. Deferred income

Deferred income pertains to pre-invoiced service contracts.

15. Contractual obligations and contingencies, etc.**15.1 Contingent liabilities**

The Company is jointly taxed with the Danish subsidiaries in the Honeywell group. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes. The companies are jointly liable for taxes in the joint taxation.

The ultimate parent company Honeywell International Inc. has provided the guarantee in favour of Honeywell A/S amounting to DKK 20.320.186 .

Guarantee credit line with Danske bank for Honeywell A/S is DKK 105.000.000 .

15.2 Operating lease liabilities

Lease obligations under operating leases. Total future lease payments:

	2021 DKK000	2020 DKK000
Within 1 year	2.293	1.934
Between 1 to 5 years	1.006	4.224
	<u>3.299</u>	<u>6.158</u>

The Company's accounts comprise operational lease, which include substantially all of the vehicles. The amount of future lease payments is based on consumer prices. Contracts for the rental of vehicles and property is for 5 and 7 years respectively.

NOTES TO THE FINANCIAL STATEMENTS

16. Collateral

The Company has provided collateral in assets amounting to DKK 38.780.500 to Danske bank as at 31 December 2021.

17. Fees paid to auditors appointed at the annual general meeting

	2021 DKK000	2020 DKK000
Fee for statutory audit	89	89
Total fee paid to Auditor	89	89

18. Related parties**18.1 Related party transactions**

The Company's related parties are Honeywell International Inc. and its subsidiaries. With reference to section 98 C (7) of the Danish Financial Statements Act, the company has chosen only to disclose transactions with related parties not carried through on normal market terms. All transactions between the related parties are based on armslength term. The type of transactions with the related parties can be specified as buying and selling of components, management fees, IT-service fees and loan.

18.2 Parties exercising control

The Company is owned 100% by Pittway Technologica S.r.l (Italien), which is owned by Honeywell S.L (Spain) group and Honeywell AIS is included in the Group Annual Report as a subsidiary. Honeywell S.L. (Spain) is owned by Honeywell International Inc.

Controlling interest	Registered address	Basis
Pittway Technologica S.r.l (Italien)	Via Caboto 19/334147 Trieste Italy	Immediate parent
Honeywell S.L (Spain)	Calle Josefa Valcárcel 24, 28027 Madrid Spain	Middle parent
Honeywell International Inc.	251 Liitte Falls Drive, Wilmington DE 19808 United States	Ultimate parent

The Company's financial statements are included by full consolidation in the financial statements of Honeywell International Inc., a company registered in the USA, which is the smallest and largest group to consolidate these financial statements. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, Honeywell International Inc., 251 Little Falls Drive, Wilmington DE 19808 United States or on the homepage <http://investor.honeywell.com>.

NOTES TO THE FINANCIAL STATEMENTS

19. Appropriation of profit/loss

	2021 DKK000	2020 DKK000
<i>Recommended appropriation of profit/loss</i>		
Transferred to reserves under equity	1.915	4.998
	<u>1.915</u>	<u>4.998</u>